



BUSINESS & LABOR
EXHIBIT NO. 9
DATE 3-3-11
SERIAL NO. HB 307

HUB International Mountain States Limited

Wyoming, Montana, Idaho & North Dakota

Wednesday, October 28, 2009

Jeff Engel
Jeff Engel Construction, Inc.
PO Box 50219
Billings, MT 59105

Re: Sprinkler Systems and the Insurance Industry

Jeff:

Per your request, I consulted with our Personal Lines Manager, Brian Fennern, and asked him to do some research into the following areas:

- 1) What is the average credit that a homeowner would receive on his insurance policy if a sprinkler system was installed?
- 2) Is there any claim history for sprinkler systems that have erroneously been set off?
- 3) What is the average limit for Mold coverage?

Brian was able to get responses from the four insurance carriers that we use most often for homeowners policies in Montana. Those four carriers are Safeco, The Hartford, Travelers, and Kemper. The overall feeling is that having a sprinkler system is not a major factor in insurance rates.

1) Each company rated for a sprinkler system a little differently. The credit ranges from 4 - 8% for a limited system (not in all areas like an attic, bathroom, closet, or attached structure), and from 8 - 13% for complete systems. To put into perspective, the average credit you receive for having a security system in your home will save you about \$100 or more per year (based on a \$250,000 home). That same home would see about a \$25 credit for having a sprinkler system. This leads me into my second point.

2) Insurance rates are set using a complex calculation of potential risk factors. Insurance companies have obviously put more weight on loss due to theft rather than fire. When asked what types of claims have been reported due to indoor sprinkler damage, the common response was that it typically isn't tracked any differently than other water claims. We weren't able to obtain specific claims history for sprinkler systems that have erroneously been set off. However, after looking at several examples of premium differences between having a sprinkler system or not, it is apparent that the insurance companies do not consider the system to be a significant preventative item.

3) Lastly, we talked about water damage resulting in mold problems. Mold has become a touchy subject in the insurance industry. Again, each insurance company's form is different, but the standard property sublimit for mold damage looks to be about \$5,000.

Hopefully this is the type of information that you were looking for. Please let me know if there is anything else that we can do for you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Brooke Overbeek".

Brooke Overbeek, CIC
Account Executive

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DEREK RASMUSSEN

Dear Mr. Mike Hughes,

Thank you for your inquiry about the effect of installing fire suppression sprinkler systems in new home construction projects.

In our opinion your commercial contractor insurance will probably go up as the result of taking on the extra products and completed operations liability of the installation of the sprinkler systems.

Each of the new home owners will also probably see a significant raise in their homeowner insurance rates because of the exposure for water damage of accidental discharge and if there was a fire, it would cause widespread water damage rather than treating a smaller source.

If we can be of any further assistance please let us know.

Sincerely,

A handwritten signature in black ink, appearing to be 'Derek Rasmussen'.